GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:4678
ANSWERED ON:19.12.2002
PROBLEM FACED BY AMERICAN COMPANIES IN INDIA
YEMPARALA VENKATESWARA RAO

Will the Minister of POWER be pleased to state:

(a) whether US has expressed concern over the problems faced by American power companies in India;

(b) if so, the details thereof; and

(c) the corrective measures taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) : Yes, Sir.

(b) & (c) : During the visit by the Minister of Power to the US in the first half of October, 2002, the US Assistant Secretary of Energy, Ms. Vicky Bailey, in her address at a symposium, stated that there was an erosion of confidence within the US Power Business Community about the Power Sector in India on account of certain contractual and payment problems being faced by the existing Independent Power Producers (IPPs) with US investments. She observed that it would be extremely difficult for American investors to invest in India unless structural issues in the Indian Power Sector were addressed.

The main issue relates to the Dabhol Power Project which is an IPP set up in Maharashtra on the basis of a Power Purchase Agreement (PPA) entered into between Dabhol Power Company (DPC) and the Maharashtra State Electricity Board (MSEB) Phase-I of the Dabhol Plant (740 MW) has been shut down after MSEB stopped taking power from 29th May, 2001 following disputes with DPC. Both DPC and MSEB have initiated legal proceedings against each other over different provisions of the PPA and the matter is in various stages before Courts, Arbitrators and Maharashtra Electricity Regulatory Commission (MERC). The disputes are to be resolved primarily by these two parties to the contract as well as the Government of Maharashtra, who have guaranteed the payment obligations of MSEB to DPC under the PPA, subject to final orders on the various legal proceedings. Government of India has agreed to facilitate any amicable solution to the various issues so as to revive/restructure the Dabhol power project.

Representatives of four US companies viz. PSEG India, CMS India, Covanta Asia-Pacific and El Pasco India, during a recent meeting with Secretary (Power) discussed their problems with the Tamil Nadu Electricity Board relating to arrears, payment of invoices and establishing of security mechanisms as envisaged in the PPAs. The problems faced by these companies have been discussed with the State Government, who are taking appropriate measures to resolve the issues.